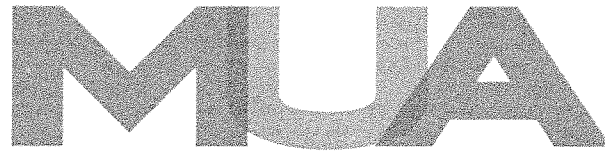


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**UNDERGRADUATE UNIVERSITY EXAMINATIONS**

**SCHOOL OF MANAGEMENT AND LEADERSHIP**

**DEGREE OF BACHELOR OF COMMERCE**

**FIN 322: FINANCIAL RISK MANAGEMENT**

**DATE: 10<sup>TH</sup> APRIL 2017**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided

### QUESTION ONE

Read the case study below very carefully and answer the questions that follow.

#### HAKIKISHO INSURANCE COMPANY

Hakikisho Insurance Company of Mtopanga (TZ), has in the recent past lost a considerable size of its market Niche owing to stiff competition from foreign insurers mainly Kenya and South Africa. In response the company has contracted a consultant to diagnose the problems in the company. High in the insurers list of deficiencies are:

- a. Poor service quality
- b. Unpaid claims
- c. Uncompetitive premiums
- d. Poor relations with intermediaries, particularly medium-sized brokers,
- e. Lack of innovativeness of product lines,

Required

- i. For each of these shortcomings, suggest appropriate remedies the company may employ to address further market share losses. (16 marks)
- ii. What role if any can a government play to enhance service quality in the insurance industry (9 marks)

### QUESTION TWO

Discuss five various approaches to risk management giving examples in each

(15 marks)

### QUESTION THREE

- a) Explain four methods of risk retention (8 marks)
- b) Discuss the risk management strategies in an organization (7 marks)

**QUESTION FOUR**

Discuss three various ways that can be used to hedge interest rates (15 marks)

**QUESTION FIVE**

- a) Business should not risk too much by assuming risks they may not have capacity to accommodate. Discuss. (7 marks)
- b) Explain risk management strategies (8 marks)

**QUESTION SIX**

- a) Briefly explain the meaning of risk. (5 marks)
- b) Discuss various types financial risks in an organization. (10 marks)

